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# Breaking the Law to Break into the Black: Patent Infringement as a Business Strategy

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## COMMENT

### **Breaking the Law to Break into the Black: Patent Infringement as a Business Strategy**

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## INTRODUCTION

Corporations and businesses make important decisions every day that affect their financial viability and market image relative to other competitors in a particular industry. For those organizations that produce innovative technologies, the aggregate of the many decisions made throughout the various stages of development manifests itself through the final product presented to the marketplace or utilized by the organization internally. However, as evidenced by the drastic increase in patent infringement cases brought before U.S. courts each year (there were 2,120 patent suits filed in 1998<sup>1</sup> and filings increased 111% from 1991 to 2000<sup>2</sup>), circumstances in which organizations produce inventions that infringe the legal rights of other entities occur routinely in the United States.

U.S. patent laws<sup>3</sup> influence the decision-making processes for these technology-producing organizations through the economic consequences (the costs of litigating an average patent case are estimated to be one to four million dollars<sup>4</sup>) and time costs resulting from actual and potential patent infringement litigation, settlements, and liability rulings. Yet despite organizations' knowledge of the possible legal and business repercussions associated with patent infringement, a multitude of U.S. court cases addressing this issue continue to arise each year.<sup>5</sup> Accordingly, a proper analysis of the phenomenon of patent infringement prompts the natural inquiry of whether firms consciously decide to infringe certain patents as a sound business strategy or whether such cases arise spontaneously due to incomplete and careless research of prior art by the infringing firms. Regardless of what empirical research studies indicate as the most frequent explanation,<sup>6</sup> patent infringement may remain an effective

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1. Erik Espe, *Friendlier Courts, Higher Stakes Unleash Patent Suits*, SILICON VALLEY/SAN JOSE BUS. J., July 2, 1999, at 1, available at <http://www.bizjournals.com/sanjose/stories/1999/07/05/story4.html>.

2. Pearl Patent Enforcement and Royalties, Ltd., Patent Infringement Lawsuits: By the Numbers, <http://www.pearlltd.com/index6.html> (last visited Nov. 21, 2006) (describing the growth in patent infringement litigation, the increase in case numbers, and the costs involved with patent infringement).

3. 35 U.S.C. § 271 (2000).

4. Julia Huston, *Litigating Patent Rights in a Down Economy*, 32 MASS. LAW. WKLY. 359 (2003).

5. See Espe, *supra* note 1; Pearl Patent Enforcement and Royalties, Ltd., *supra* note 2.

6. See Jennifer Polse, Comment, *Holding the Sovereign's Universities Accountable for Patent Infringement After Florida Prepaid and College Savings Bank*, 89 CAL. L. REV. 507,

business strategy for technology-producing firms, even when not employed willfully, due to the inadequate deterrence function of current U.S. patent laws.

## I. APPLICABILITY OF U.S. PATENT INFRINGEMENT LAWS TO CORPORATIONS

### A. Current U.S. Patent Laws Deterring Unintentional Infringement

U.S. patent laws do not explicitly consider the intention of the alleged infringer in determining whether that entity or person is liable for patent infringement under 35 U.S.C. §§ 271, 284, 285,<sup>7</sup> and the “doctrine of equivalents.”<sup>8</sup> Consequently, federal courts are not explicitly required to consider the fact that a company willfully produced an infringing technology when determining its liability or the remedy granted to the plaintiff under a facial interpretation of these aforementioned laws.<sup>9</sup> As a result, the deterrence effect of these patent laws works to instill a more comprehensive and careful research effort of prior art by inventors in order to discourage and minimize unintentional infringement.

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519 (2001). Polse states that “most patent infringement suits allege willful infringement.” *Id.* Although this demonstrates that most plaintiffs believe a potential patent infringer has committed willful infringement, many defendants may not have consciously or intentionally infringed another’s patent, including those parties who settle patent infringement claims, those who are found not liable for willful infringement by courts, and those who are not charged with committing willful infringement.

7. *But see* 35 U.S.C. § 271(b)–(c). It is important to note that these indirect infringement statutes that protect patent owners against active inducement infringement and contributory infringement, respectively, do explicitly consider the intention of the alleged infringer in determining whether that entity is liable for patent infringement. *Id.* However, this Comment focuses only on direct infringement by corporations; patent laws deterring indirect infringement are beyond the scope of this Comment. *See* DONALD S. CHISUM ET AL., *PRINCIPLES OF PATENT LAW: CASES AND MATERIALS* 968–79 (3d ed. 2004) (regarding patent laws as deterrents of indirect infringement); *see also* *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464 (Fed. Cir. 1990); *C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*, 911 F.2d 670 (Fed. Cir. 1990).

8. *Graver Tank & Mfg. Co., Inc. v. Linde Air Prods. Co.*, 339 U.S. 605 (1950) (establishing the modern contours of the patent law “doctrine of equivalents”). In this case, the Supreme Court stated that “[t]he theory on which [the ‘doctrine of equivalents’] is founded is that ‘if two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same, even though they differ in name, form, or shape.’” *Id.* at 608 (quoting *Union Paper-Bag Mach. Co. v. Murphy*, 97 U.S. 120, 125 (1877)).

9. 35 U.S.C. § 271; *see Graver Tank*, 339 U.S. at 605. The ‘doctrine of equivalents’ does not explicitly require courts to consider the intentions of a potential infringer whatsoever. *See Graver Tank*, 339 U.S. at 608; *see also* discussion *supra* note 8.

Under 35 U.S.C. § 284, the damages assessed by the jury and/or judge serve this deterrence function against unintentional infringement and are distinct from those awarded in willful infringement cases,<sup>10</sup> except when the unintentional infringement is also considered “exceptional” by the court.<sup>11</sup> However, the inability of these patent laws<sup>12</sup> to effectively deter potential infringers from consciously developing a strategy to infringe upon a patented technology creates a tangential incentive for firms to develop business plans directed at violating these laws.

### *B. Current U.S. Patent Laws Deterring Willful Infringement*

Consequently, the Court of Appeals for the Federal Circuit has begun to recognize the failure of U.S. patent laws and judicial precedent to explicitly address the business problems created by willful infringement and has responded with a series of decisions aimed at directly admonishing such action.<sup>13</sup> The pressing need for federal courts to adopt a strong policy stance against intentional abuses of U.S. patent laws by willful infringers can be traced back to the creation of the Court of Appeals for the Federal Circuit by Congress in 1982.<sup>14</sup> Subsequent to its formation, the Federal Circuit proceeded to rule that an infringer has a “legal obligation to respect valid patent rights”<sup>15</sup> in a concerted effort to halt the “widespread disregard of patent rights [that] was undermining the national innovation incentive.”<sup>16</sup>

10. See 35 U.S.C. §§ 284–285; *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004).

11. 35 U.S.C. §§ 284–285.

12. *Id.*

13. See *Knorr-Bremse*, 383 F.3d at 1342; *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993); *Read Corp. v. Portec, Inc.*, 970 F.2d 817 (Fed. Cir. 1992); *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986); *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983); *Afros S.P.A. v. Krauss-Maffei Corp.*, 671 F. Supp. 1458 (D. Del. 1987).

14. *Knorr-Bremse*, 383 F.3d at 1343; About the Federal Circuit, <http://www.fedcir.gov/about.html> (last visited Nov. 22, 2006); see also Kevin J. Kelly, *Placing the Burden Back Where It Belongs: A Proposal to Eliminate the Affirmative Duty from Willful Infringement Analyses*, 4 J. MARSHALL REV. INTELL. PROP. L. 509, 516 n.51 (2005).

15. *Knorr-Bremse*, 383 F.3d at 1343 (citing *Underwater Devices, Inc.*, 717 F.2d 1380).

16. *Id.* at 1343 (citing U.S. DEP’T OF COMMERCE, ADVISORY COMM. ON INDUS. INNOVATION, FINAL REPORT (1979)); see also William F. Lee & Lawrence P. Cogswell, III, *Understanding and Addressing the Unfair Dilemma Created by the Doctrine of Willful Patent Infringement*, 41 HOUS. L. REV. 393, 424–25 (2004) (stating that the “purpose of the [willful infringement] doctrine [is] . . . to act as a ‘deterrent[] to blatant, blind, willful infringement of valid patents’”).

Interestingly, however, the Federal Circuit has provided neither an express definition for willful infringement, which could be applied to all patent infringement cases, nor statutory authority, which explicitly prohibits such actions.<sup>17</sup> Instead, the Federal Circuit derived its authority to pronounce willful infringement as contrary to U.S. patent law solely from analogizing that the common law principle disfavoring an intentional disregard of legal rights should apply not only to civil laws, but patent laws as well.<sup>18</sup> In fact, the only statutory authority associated with the Federal Circuit's application of the principle of willful infringement is in reference to damages and remedies and not the actual wrongful conduct.<sup>19</sup> This strongly suggests that the judicial doctrine against willful infringement is fundamentally premised upon deterrence of intentional infringement through a primarily damages-based approach, despite suggestions otherwise by the Federal Circuit.<sup>20</sup>

However, adding to the convoluted and tenuous derivation of the concept of willful infringement by the Federal Circuit is the absence of any reference to willful or intentional infringement by either the damages or remedies statutes addressed under 35 U.S.C. § 284 and 35 U.S.C. § 285, respectively. As a result, a judge is entitled to apply § 284 in assessing "increased" damages for all infringement judgments, including willful infringement,<sup>21</sup> and to apply § 285 in awarding attorneys' fees because the Federal Circuit has ruled that willful infringement constitutes "exceptional" infringement under the statute.<sup>22</sup>

17. See, e.g., *Knorr-Bremse*, 383 F.3d at 1342. In confirming that neither the Supreme Court nor the Federal Circuit has provided an express definition for willful infringement, which could be applied to all patent infringement cases,

the Supreme Court has observed that "[t]he word 'willful' is widely used in the law, and, although it has *not by any means* been given a perfectly consistent interpretation it is generally understood to refer to conduct that is not merely negligent," . . . [and] the Court [has cited] conventional definitions such as "voluntary," "deliberate," and "intentional."

*Id.* (first alteration in original) (emphasis added) (citation omitted); see also Stephanie Pall, Note, *Willful Patent Infringement: Theoretically Sound? A Proposal to Restore Willful Infringement to Its Proper Place Within Patent Law*, 2006 U. ILL. L. REV. 659, 698 (2006) (advocating for the adoption of a more "consistent definition of willful patent infringement").

18. See *Knorr-Bremse*, 383 F.3d at 1342 (stating that "[t]he concept of 'willful infringement' is not simply a conduit for enhancement of damages; it is a statement that patent infringement, like other civil wrongs, is disfavored, and intentional disregard of legal rights warrants deterrence").

19. See, e.g., *id.* at 1342 (stating that the "[r]emedy for willful infringement is founded on 35 U.S.C. § 284 . . . and 35 U.S.C. § 285"); see also 35 U.S.C. §§ 284–285 (2000).

20. See *supra* note 17.

21. 35 U.S.C. § 284.

22. *Id.* § 285; *Gentry Gallery v. Berkline Corp.*, 134 F.3d 1473, 1480 (Fed. Cir. 1998);

Consequently, the relatively confusing and tenuous statutory foundation for willful infringement liability, damages, and remedies may serve to support intentional patent infringement as a viable business strategy.

While the only U.S. patent laws to exhibit any deterrence effect upon potential infringers are the aforementioned § 284 and § 285 statutes, the Federal Circuit has created a more sophisticated test for determining whether willful infringement has occurred.<sup>23</sup> This test is beneficial to both the federal courts and patent lawyers<sup>24</sup> because it adds substance and certainty to the general judicial philosophy that infringers who intentionally disregard the patent rights of other inventors should be punished.<sup>25</sup> However, this test is limited in its capabilities because it

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Mach. Corp. of Am. v. Gullfiber AB, 774 F.2d 467, 470 (Fed. Cir. 1985); Daniel A. Crane, *Exit Payments in Settlement of Patent Infringement Lawsuits: Antitrust Rules and Economic Implications*, 54 FLA. L. REV. 747, 772 n.109 (2002); Thomas L. Irving et al., *A Year in Review: The Federal Circuit's Patent Decisions of 1993*, 43 AM. U. L. REV. 1259, 1404 (1994); Jared Goff, Comment, *The Unpredictable Scope of the Waiver Resulting from the Advice-of-Counsel Defense to Willful Infringement*, 1998 BYU L. REV. 213, 216 n.19 (1998).

23. *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992). *But see Knorr-Bremse*, 383 F.3d at 1341; *Trading Techs. Int'l v. eSpeed, Inc.*, 431 F. Supp. 2d 834, 838–39 (N.D. Ill. 2006). It should be noted that the Federal Circuit and (more recently) the United States District Court for the Northern District of Illinois, Eastern Division, have held the traditional judicial interpretation of one of the elements of the *Read* factors test to be invalid. *See Knorr-Bremse*, 383 F.3d at 1344; *Trading Techs. Int'l*, 431 F. Supp. 2d at 838–39. More specifically, the Federal Circuit deviated from the traditional *Read* holding by ruling that “no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer’s failure to obtain or produce an exculpatory opinion of counsel.” *Knorr-Bremse*, 383 F.3d at 1341; *see also Trading Techs. Int'l*, 431 F. Supp. 2d at 838. However, the other elements of the *Read* holding remain valid law. *Read*, 970 F.2d at 826–28; *see Knorr-Bremse*, 383 F.3d at 1342–43; *Applera Corp. v. MJ Research Inc.*, 372 F. Supp. 2d 233, 235 (D. Conn. 2005).

24. *See* Michael D. Kaminski, *Effective Management of U.S. Patent Litigation* (Oct. 26, 2005), [http://www.foley.com/files/tbl\\_s31Publications/FileUpload137/2941/Effective%20Management%20of%20US%20Patent%20Litigation.pdf](http://www.foley.com/files/tbl_s31Publications/FileUpload137/2941/Effective%20Management%20of%20US%20Patent%20Litigation.pdf). This litigation strategy article addresses the application of the *Read* factors test by a practicing attorney for use in advising clients regarding willful patent infringement issues. *Id.* at 14–19; *see also Knorr-Bremse*, 383 F.3d at 1343 (“Fundamental to determination of willful infringement is the duty to act in accordance with law.”). In *Knorr-Bremse*, the Federal Circuit also noted the efforts of past courts in “stress[ing] the legal obligation to respect valid patent rights.” *Knorr-Bremse*, 383 F.3d at 1343 (citing *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983)).

25. *See* David Hricik, *Remedies of the Infringer: The Use by the Infringer of Implied and Common Law Federal Rights, State Law Claims, and Contract to Shift Liability for Infringement of Patents, Copyrights, and Trademarks*, 28 TEX. TECH L. REV. 1027, 1056 (stating that the legislative purpose of the Patent Act is to seek “to prevent contributory and induced infringement and [punish] those who act in intentional disregard of the Patent Act”); Carol Johns, *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.: A Step in the Right Direction for Willful Infringement*, 20 BERKELEY TECH. L.J. 69, 84 (2005); Kelly, *supra* note 14, at 530 n.157; Joshua Stowell, *Willful Infringement and the Evidentiary Value of*

is used by the courts only to classify infringement as intentional and does not directly serve a deterrence function.

Expanding upon the general judicial doctrine that willfulness is to be determined in “consideration of the totality of the circumstances,”<sup>26</sup> the Federal Circuit determined that courts should consider nine factors established in *Read Corp. v. Portec, Inc.* that include:

(1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed; . . . (3) the infringer’s behavior as a party to the litigation[;] . . . (4) [d]efendant’s size and financial condition[;] (5) [c]loseness of the case[;] (6) [d]uration of defendant’s misconduct[;] (7) [r]emedial action by the defendant[;] (8) [d]efendant’s motivation for harm[; and] (9) [w]hether defendant attempted to conceal its misconduct.<sup>27</sup>

If the judge or jury determines that an infringer’s actions qualify as willful in consideration of these nine factors, then the judge may proceed to punish the infringer under the damages and remedies statutes.<sup>28</sup>

## II. ANALYSIS OF INADEQUATE PROTECTIONS OF U.S. PATENT INFRINGEMENT LAWS TO PATENT OWNERS

When considering the current U.S. patent laws prohibiting infringement, the federal courts’ reliance upon the aforementioned statutes<sup>29</sup> as the principal deterrent against potential infringers<sup>30</sup> may prove to be both misguided and ineffective.<sup>31</sup> This is because these

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*Opinion Letters After Knorr-Bremse v. Dana*, 2005 DUKE L. & TECH. REV. 5 (2005) (stating that “[t]he purposes of finding willful infringement and the subsequent award of enhanced damages are meant to punish infringers for deliberately breaking the law and to make the policy statement that patent infringement is ‘disfavored’”).

26. *Knorr-Bremse*, 383 F.3d at 1342.

27. *Read*, 970 F.2d at 827 (footnotes and citations omitted).

28. 35 U.S.C. §§ 284–285 (2000); *Read*, 970 F.2d at 826–28.

29. 35 U.S.C. §§ 284–285.

30. The previously identified federal statutes are characterized as being the principal deterrent against potential infringers because these are the statutes under which federal courts derive their authority to assess liability for a party that has committed patent infringement. The *Read* factors test is a judicial assessment utilized by courts to determine whether a party has committed willful patent infringement, and therefore, may serve as an implicit deterrent against potential infringers, instead of an explicit deterrent. *See Read*, 970 F.2d at 827.

31. *See Johns*, *supra* note 25, at 70–71 (stating that “[n]umerous commentators have



statutes fail to adequately address and resolve the business innovation problems that the judicial concept of willful infringement should work to combat.<sup>32</sup> The Federal Circuit and Congress have failed to adequately address one of the primary problems for which that court was originally created;<sup>33</sup> the reasons for this failure are outlined here.

*A. Inadequate Protections Afforded by Statutory Damages and Remedies to U.S. Patent Owners*

First, the statutory damages<sup>34</sup> and remedies<sup>35</sup> that the federal courts may apply to those liable for willful infringement are exactly the same as the potential damages and remedies that can be applied to all “exceptional” patent infringement cases.<sup>36</sup> These maximum damages and remedies imposed upon a liable party in both “exceptional” and willful infringement cases are statutorily limited to “up to three times the amount found or assessed”<sup>37</sup> plus “reasonable attorney fees to the prevailing party.”<sup>38</sup> Therefore, when analyzed from a damages-based approach, the judicial concept of willful infringement serves a deterrent function only in the absence of any other action that could be labeled as “exceptional” infringement.<sup>39</sup>

For example, a potential patent infringer may be adequately deterred from committing willful infringement because the corporation knows that it may only be assessed unintentional infringement damages<sup>40</sup> if the court finds liability. Conversely, the same potential patent infringer may not be deterred whatsoever from committing

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criticized the modern willfulness doctrine, contending that willfulness charges do not effectively deter direct copying or punish truly culpable behavior and that the doctrine creates unhealthy incentives for industry as well as patent lawyers”).

32. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004). See generally *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983).

33. *Knorr-Bremse*, 383 F.3d at 1343 (citing U.S. DEP’T OF COMMERCE, *supra* note 16).

34. 35 U.S.C. § 284.

35. *Id.* § 285.

36. *Id.*

37. *Id.* § 284.

38. *Id.* § 285. The federal courts have interpreted the concept of willful infringement to constitute “exceptional” infringement for purposes of the application of § 285 to cases involving willful patent infringement. See *Gentry Gallery v. Berkline Corp.*, 134 F.3d 1473, 1480 (Fed. Cir. 1998); *Mach. Corp. of Am. v. Gullfiber AB*, 774 F.2d 467, 470 (Fed. Cir. 1985); *Crane*, *supra* note 22, at 772 n.109; *Irving et al.*, *supra* note 22, at 1404; *Goff*, *supra* note 22, at 216 n.19.

39. 35 U.S.C. § 284.

40. *Id.* § 285.

willful infringement if it knows that it may likely be assessed exactly the same amount of “enhanced”<sup>41</sup> liability whether or not the court finds willful infringement. A scenario illustrative of the second example is where the corporation knows it is likely to be assessed the maximum statutory amount for “exceptional”<sup>42</sup> infringement liability by the court, effectively prohibiting the court from assessing any additional damages for willful infringement because the statutory maximum in damages has already been assessed. Accordingly, the absence of a separate or additional statutory penalty for willful infringement equates to an inability of U.S. patent laws to provide any deterrence for intentional patent infringers in the many cases where those infringers also commit other acts of “exceptional” infringement.<sup>43</sup>

*B. Inadequate Protections Afforded by the Read Factors Test to U.S. Patent Owners*

Furthermore, an additional inadequacy of current U.S. patent laws is the broad opportunity for alleged infringers to litigate around claims of willful infringement by arguing that the preponderance of the evidence does not meet the *Read* factors for willful infringement<sup>44</sup> and that the

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41. *Id.* §§ 284–285.

42. *Id.*

43. *Id.* Since neither § 284 nor § 285 expressly address appropriate damages or remedies for willful infringement, a party found liable for patent infringement by a court could be assessed the maximum penalty of “three times the amount found or assessed” plus reasonable attorney fees for any “exceptional” infringement conduct, which does not constitute willful infringement. If a court has thus already addressed the statutorily allowable maximum penalty to a party found liable for patent infringement, it may not assess any additional penalty if it also determines that the same party committed willful infringement in addition to other acts of “exceptional” infringement. Therefore, the inclusion of an express provision in both § 284 and § 285 would allow a court to also assess additional penalties for willful infringement under such circumstances as previously described. *See supra* notes 34–42 and accompanying text.

44. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992). Since the Court of Appeals for the Federal Circuit’s decision in *Read*, federal courts are now to apply the *Read* factors test while considering the totality of the circumstances of a given case as a tool for determining whether an alleged infringer has committed willful infringement. Therefore, if a defendant is able to demonstrate that the preponderance of the evidence (in consideration of the totality of the circumstances) does not satisfy the *Read* factors test, then courts should not find the defendant liable for willful infringement. *See Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342–43 (Fed. Cir. 2004); *Read*, 970 F.2d at 827. However, courts could still determine that the conduct in question constitutes unintentional (non-willful) infringement. *See Pall, supra* note 17, at 670–71 (stating that “[c]onsequently, the Federal Circuit has devoted most of its willful infringement case law to teasing out the particularities surrounding [the *Read* factors.]” supporting the ability of patent attorneys to litigate cases involving willful infringement on the basis of the *Read* factors).

infringers' actions constitute mere unintentional infringement. One primary problem associated with the Federal Circuit's standard for willful infringement<sup>45</sup> is its unwillingness to adopt a judicial definition for this concept.<sup>46</sup> Instead of establishing a concise definition delineating what infringing activities constitute willful infringement, the Federal Circuit chose to create a non-exhaustive list of factors for courts to consider in determining this type of liability.<sup>47</sup> The absence of a precise definition for willful infringement contributes to the illegitimacy, confusion, and uncertainty of this legal concept because alleged infringers possess an increased opportunity to create doubt as to liability for an inadequately defined legal claim.

Also, several deficiencies exist regarding the *Read* factors for willful infringement,<sup>48</sup> which may ease the ability for alleged infringers to litigate around this test. For example, the list is non-exhaustive, it does not explicitly dictate the relative weight that courts should give to each factor, and it does not indicate which or how many factors must be satisfied for willful infringement liability to be assessed.<sup>49</sup> The indefinite nature of this test allows for arguments against liability to be made because corporations and patent attorneys will not know what other factors courts may consider or the type or quantity of evidence indicating willful infringement that is required.

Additionally, simply because the Federal Circuit has identified these aforementioned nine *Read* factors<sup>50</sup> as important considerations to weigh in determining whether an alleged infringer's conduct constitutes willful infringement,<sup>51</sup> this does not equate to the test being infallible or the most effective assessment available to the courts. Importantly, federal courts are required to assess whether willful infringement has occurred based on "the totality of the circumstances" of each particular case presented.<sup>52</sup> The three following factors, which the

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45. *Read*, 970 F.2d at 827.

46. *See Knorr-Bremse*, 383 F.3d at 1342; *see also* Pall, *supra* note 17, at 698.

47. *Read*, 970 F.2d at 827.

48. *Id.*

49. *Id.* at 826–28.

50. *Id.* at 827.

51. *Id.* at 826–27.

52. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004) (quoting *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.* (Knorr-Bremse II), 133 F. Supp. 2d 843, 863 (E.D. Va. 2001)). The relative importance of the *Read* factors test and the manner in which federal courts are to apply each of these factors to patent infringement cases is entirely fact-specific for each individual case, with the list of factors being non-exhaustive. *Id.*; *Read*, 970 F.2d at 827.

Federal Circuit incorporated from previous federal court decisions into the *Read* factors test,<sup>53</sup> could be improved to enhance their effectiveness: (1) “whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed”;<sup>54</sup> (2) “whether the infringer deliberately copied the ideas or design of another”;<sup>55</sup> and (3) “[r]emedial action by the defendant.”<sup>56</sup>

More specifically, several weaknesses associated with these three particular *Read* factors are identified as follows. First, an alleged infringer can now satisfy the investigation and good-faith requirement of the first identified *Read* factor fairly easily after the *Knorr-Bremse* and *Trading Technologies International v. eSpeed, Inc.* rulings by the Federal Circuit and the U.S. District Court for the Northern District of Illinois, Eastern Division, respectively.<sup>57</sup> For instance, the Federal Circuit had previously interpreted this investigation and good-faith requirement to impose an “affirmative duty” upon a potential infringer to “seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity.”<sup>58</sup>

Under this formerly imposed duty,<sup>59</sup> however, a corporation that may have sought to willfully infringe a patent could have hired a patent attorney for legal advice, and, in turn, failed to adhere to that advice since corporations do not have an obligation to follow the counsel of every hired attorney. Likewise, attorneys cannot force a client corporation to follow his or her advice and adhere to the law. Under such a scenario, the corporation’s actions would have easily satisfied the previously enforced requirements of the first identified *Read* factor,<sup>60</sup> yet the corporation may still have decided to engage in willful infringement.

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53. *Read*, 970 F.2d at 827; see *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986); *Intra Corp. v. Hamar Laser Instruments, Inc.*, 662 F. Supp. 1420, 1439 (E.D. Mich. 1987).

54. See *Knorr-Bremse*, 383 F.3d at 1341; see also *supra* note 23 and accompanying text for a qualification of this particular *Read* factor.

55. *Read*, 970 F.2d at 827.

56. *Id.*

57. *Knorr-Bremse*, 383 F.3d at 1337; *Trading Techs. Int’l v. eSpeed, Inc.*, 431 F. Supp. 2d 834 (N.D. Ill. 2006).

58. *Knorr-Bremse*, 383 F.3d at 1343; *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389–90 (Fed. Cir. 1983); see *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993); *Andrew Corp. v. Beverly Mfg. Co.*, 415 F. Supp. 2d 919, 927 (N.D. Ill. 2006).

59. *Knorr-Bremse*, 383 F.3d at 1343.

60. *Read*, 970 F.2d at 827.

Interestingly, the federal courts have recently retreated<sup>61</sup> from this formerly imposed “affirmative duty”<sup>62</sup> and have subsequently increased the ease with which an alleged infringer may now satisfy the investigation and good-faith requirement of the first identified *Read* factor.<sup>63</sup> This recent change in the law is significant because now “no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer’s failure to obtain or produce an exculpatory opinion of counsel.”<sup>64</sup> In fact, this deviation evidences a direct contradiction by the Federal Circuit in that any deterrence effect, which may have once existed under this *Read* factor, appears to have vanished.<sup>65</sup>

Furthermore, although it may be more difficult for a corporation to argue against liability under the second identified factor, a potential willful infringer could still have success demonstrating that it did not deliberately copy an idea or design.<sup>66</sup> For instance, a corporation could deny deliberately copying a patent and instead argue that it “made a good faith effort to design around the patented invention” as a legitimate defense to this element of willful infringement.<sup>67</sup> Also, a

61. See *id.* at 828 (stating that the “affirmative duty normally entails obtaining advice of legal counsel although the absence of such advice does not mandate a finding of willfulness”). But see *Knorr-Bremse*, 383 F.3d at 1345 (stating that “[a]lthough there continues to be ‘an affirmative duty of due care to avoid infringement of the known patent rights of others,’ . . . the failure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or evidentiary presumption that such opinion would have been unfavorable”). See generally Steven C. Cherny et al., 2004 *Patent Law Decisions of the Federal Circuit*, 54 AM. U. L. REV. 941, 1152 (2005); Johns, *supra* note 25, at 86 (stating that “[t]he finder of fact will no longer be able to presume malicious intent based on an accused infringer’s failure to consult counsel or claim privilege”); Harold C. Wegner, *Developments in Patent Law 2004*, 4 J. MARSHALL REV. INTELL. PROP. L. 1, 24 (2004).

62. *Knorr-Bremse*, 383 F.3d at 1337; *Trading Techs. Int’l*, 431 F. Supp. 2d 834.

63. See *Read*, 970 F.2d at 827; see also *supra* note 61 and accompanying text.

64. *Knorr-Bremse*, 383 F.3d at 1341; see also *Read*, 970 F.2d at 816; *Trading Techs. Int’l*, 431 F. Supp. 2d at 838.

65. See *Knorr-Bremse*, 383 F.3d at 1344; *Trading Techs. Int’l*, 431 F. Supp. 2d at 834; see also Johns, *supra* note 25, at 87 (stating that “[t]ime will tell just how safe competitors are from the adverse inference in light of *Knorr-Bremse IV*. The court left much of willfulness doctrine, and its resulting uncertainty, intact” and emphasizing the uncertainty surrounding the change in judicial interpretation of this *Read* factor); Harold A. Borland, Comment, *The Affirmative Duty to Exercise Due Care on Willful Patent Infringement Cases: We Still Want It*, 6 HOUS. BUS. & TAX L.J. 176, 185 (2005) (stating that “there is no evidence that the imposition of the duty and the corresponding threat of enhanced damages actually has any effect of deterrence,” which directly contradicts the Federal Circuit’s aim of deterring willful infringement).

66. *Read*, 970 F.2d at 827.

67. See Edwin H. Taylor & Glenn E. Von Tersch, *A Proposal to Shore Up the Foundation of Patent Law that the Underwater Line Eroded*, 20 HASTINGS COMM. & ENT.

corporation could claim that it developed an invention independently without deliberately copying another corporation's design, as many technology-producing firms conduct research simultaneously in the same scientific fields.

Although independent invention is not a valid defense to unintentional patent infringement under 35 U.S.C. § 271, it would be a perfectly effective defense to willful infringement under the *Read* factors test because one of the elements takes into consideration "whether the infringer deliberately copied the ideas or design of another."<sup>68</sup> Additionally, a potential willful infringer attempting to circumvent the willful infringement test could argue that it merely combined several elements into an invention that is similar to other patents, but did not *deliberately copy* any designs or ideas.<sup>69</sup> Hence, under these aforementioned possibilities, a corporation's actions could satisfy the requirements of the second identified *Read* factor,<sup>70</sup> yet the corporation could still choose to engage in willful infringement.

Moreover, a potentially infringing corporation could also satisfy the third identified factor for indicating willful infringement,<sup>71</sup> which would weigh in favor of the defendant corporation in assessing willful infringement liability. Specifically, the *Read* factor of "[r]emedial action by the defendant" is the previously identified third factor for a court to consider in determining whether a defendant is liable for willful infringement that could be improved for an overall increased effectiveness of the *Read* test.<sup>72</sup> This factor includes an assessment of a potential infringer's conduct after the plaintiff has filed a suit for willful infringement.<sup>73</sup>

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L.J. 721, 727 (1998) (stating that a reduction in exposure to patent liability "can occur through licensing or designing around the patent"); *see also* Amstar Corp. v. Envirotech Corp., 823 F.2d 1538, 1546–47 (Fed. Cir. 1987).

68. *Read*, 970 F.2d at 827.

69. *Id.*

70. *Id.*

71. *Id.*

72. *Id.*

73. *Id.*; *see* Bott v. Four Star Corp., 807 F.2d 1567, 1573 (Fed. Cir. 1986); Intra Corp. v. Hamar Laser Instruments, Inc., 662 F. Supp. 1420, 1439 (E.D. Mich. 1987).

Both the Federal Circuit<sup>74</sup> and federal district courts<sup>75</sup> have only considered conduct by a defendant to a lawsuit that has changed from the status quo<sup>76</sup> in a manner adverse to the plaintiff as being detrimental evidence under the aforementioned third *Read* factor.<sup>77</sup> An example of remedial conduct where a federal court has found a change from the status quo in a manner adverse to the plaintiff involved a case where approximately eighty percent of the defendant corporation's total infringing sales occurred after the plaintiff filed suit.<sup>78</sup> Another such case involved a defendant corporation that assigned two patents at issue in the suit to a subsidiary in an effort to avoid liability after the infringement suit was filed.<sup>79</sup>

Accordingly, in order to successfully satisfy the requirements of this third *Read* factor, a corporation could simply argue that it has complied with the principle of a court issued stay of injunction by preserving the status quo of its potentially infringing actions.<sup>80</sup> Such a claim, if argued successfully, would absolve a defendant corporation from liability when considering only the "remedial action" third element because courts follow the generally accepted principle that a defendant's preservation of the status quo during a stay of injunction is a valid defense to an indication of willfully infringing conduct.<sup>81</sup> Therefore, current U.S. patent laws afford inadequate protections to patent owners due to the ineffective deterrent function of the relevant statutes<sup>82</sup> and corporations' ability to navigate around the *Read* factors test<sup>83</sup> in an effort to seek increased profits.

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74. *Bott*, 807 F.2d 1567 (Fed. Cir. 1986).

75. *Afros S.P.A. v. Krauss-Maffei Corp.*, 671 F. Supp. 1458 (D. Del. 1987). In this case, the U.S. District Court for the District of Delaware ruled that the defendant's willful infringement of the plaintiff's patent was to be imputed to its wholly owned subsidiary. *Id.* In reaching its decision, the district court considered the fact that the defendant assigned two of its patents to a subsidiary after the lawsuit had been filed. *Id.* at 1460.

76. *Bott*, 807 F.2d at 1573.

77. *See Read*, 970 F.2d at 827.

78. *Bott*, 807 F.2d at 1573.

79. *Afros*, 671 F. Supp. at 1459–60.

80. *See Bott*, 807 F.2d at 1573.

81. *Id.*

82. 35 U.S.C. §§ 271, 284–285 (2000); *see also* Mark A. Lemley & Raghesh K. Tangri, 18 BERKELEY TECH. L.J. 1085, 1111 (2003) (stating that "[t]he fact that damages in many patent cases will be limited to a reasonable royalty creates problems of deterrence"); Borland, *supra* note 65.

83. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992); *see supra* notes 43–44 and accompanying text.

### III. PROPOSAL FOR CHANGES TO CURRENT U.S. PATENT INFRINGEMENT LAWS FOR UNIVERSAL FEDERAL JUDICIAL ADOPTION

Based upon the previous analysis identifying the many weaknesses of current U.S. patent laws in effectively deterring corporations from profiting by committing willful infringement, new changes in these laws are needed to more successfully promote the intentions of Congress as well as the Federal Circuit's intentions to inhibit this phenomenon.<sup>84</sup> Accordingly, this author proposes three distinct actions, which should be taken by these federal bodies in order to improve the efficiency and effectiveness of U.S. patent laws in deterring willful infringement by corporations. This three-part proposal includes: (1) adoption of a precise legal definition for willful patent infringement by the Federal Circuit; (2) creation by Congress of more stringent patent damages statutes, which apply specifically to cases of willful infringement; and (3) adoption by the Federal Circuit of a test or standard for identifying willful infringement, which is stricter and more effective than the current *Read* factors test.<sup>85</sup>

First, the Federal Circuit has consciously avoided the creation and adoption of a precise definition for the legal concept of willful patent infringement for reasons that are not entirely clear.<sup>86</sup> The Federal Circuit's creation of an express definition for willful infringement would improve the existing patent laws in this area by enhancing the legitimacy of this legal concept, providing clear notice of the law to potential infringers, and clarifying and solidifying the legal foundation and origin<sup>87</sup> of this concept. However, if the Federal Circuit does not believe that it possesses the responsibility for drafting and adopting a legal definition for willful patent infringement, then Congress should take it upon itself to enact a statutory patent law that provides such an explicit definition for the courts to follow.

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84. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (citing U.S. DEP'T OF COMMERCE, *supra* note 16); *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983).

85. *Read*, 970 F.2d at 827.

86. *See, e.g., Knorr-Bremse*, 383 F.3d at 1342; *see also Kaminski, supra* note 24.

87. *See Knorr-Bremse*, 383 F.3d at 1342. It should be noted, as previously mentioned in this Comment, that the Federal Circuit derives its authority to pronounce willful infringement as contrary to U.S. patent law solely from analogizing that the common law principle disfavoring an intentional disregard of legal rights should apply not only to civil laws, but patent laws as well. Therefore, adoption by the Federal Circuit of an explicit definition for the concept of willful patent infringement would create an identifiable origin for this concept within the field of patent law. *See supra* Part I.



Second, Congress should enact statutory patent laws to delineate effective damages and remedies,<sup>88</sup> specifically for cases where courts find the defendant liable for willful patent infringement. Most importantly, such statutes should include provisions that allow courts to assess damages<sup>89</sup> for willful infringement in addition to damages assessed for any other finding of patent infringement liability or other civil liabilities. If courts possessed the ability to assess damages for cases involving willful infringement liability in addition to those assessed for any other liabilities, as this proposal suggests, then patent infringement laws would be much more effective at performing a deterrence function against willful infringement.

This proposal differs from the current patent infringement damages and remedies statutes in that the current statutes only allow for a court's assessment of liability for up to three times the base liability found plus reasonable attorneys' fees for all instances of "exceptional" infringement.<sup>90</sup> Accordingly, in cases where the court finds the defendant liable for both willful infringement and another act of "exceptional" infringement, the court is statutorily limited to assessing only up to three times the base liability found plus reasonable attorneys' fees because willful infringement is considered an act of "exceptional" infringement by courts.<sup>91</sup> However, under this new proposal, courts would possess the ability to assess additional damages for infringement cases where the court finds both willful infringement and other acts of "exceptional" infringement. An additional modification to improve the deterrence function of the patent statutes against willful infringement could also include an increased maximum monetary penalty beyond three times the base liability found,<sup>92</sup> which courts may assess in such circumstances. Therefore, this proposal would increase the deterrence effect of patent laws against willful infringement through enhanced

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88. A modified remedies statute should include a specific provision to award reasonable attorneys' fees where a court finds willful infringement, despite the fact that the current remedies statute already awards such a remedy, in order for the modified remedies statute to serve an effective deterrence function against willful infringement. *See* 35 U.S.C. § 285 (2000).

89. Courts should be allowed to assess only additional damages, and not additional remedies, in cases where the defendant is found liable for willful infringement because it is not appropriate or equitable for a court to assess any remedy in addition to that of reasonable attorneys' fees, which are already assessed where "exceptional" infringement is found. *See id.*

90. *Id.* §§ 284–285.

91. *Id.*

92. *Id.* § 284.

statutory penalties, which allow for the assessment of both additional and increased maximum monetary awards.

Third, the Federal Circuit should adopt a test or standard for identifying willful infringement that is stricter and more effective than the current *Read* factors test.<sup>93</sup> The adoption of such a test by the Federal Circuit would contribute to enhancing the deterrence effect of U.S. patent laws against willful infringement in several ways. A stricter factors test for identifying acts of willful infringement would decrease the opportunity for and freedom with which potential willful infringers may attempt to modify their infringing conduct and present legal defenses for patent infringement, which they knew to be willful. Moreover, such action by the Federal Circuit would increase the effectiveness of willful infringement laws by instituting a shift from a remedies-based approach to a facially prohibitive approach.<sup>94</sup> Accordingly, U.S. patents laws would deem specific acts of willfully infringing conduct illegal, regardless of the impact that the various patent remedy statutes would have on deterring, identifying, and penalizing willful infringement.

For example, the Federal Circuit could initiate such a shift in approach by modifying the three previously identified *Read* factors for courts to consider in willful infringement liability cases for improved effectiveness.<sup>95</sup> The first of these factors considers “whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed.”<sup>96</sup> This first factor could become more effective by instead requiring courts to consider only whether the infringer knew of the plaintiff’s patent protection. Such a change would make this factor stricter by eliminating the good-faith belief arguments, which potential willful infringers may attempt to construct.

Additionally, a similarly effective change to the second identified *Read* factor could involve deleting the word “deliberately” from the requirement that courts consider “whether the infringer deliberately copied the ideas or design of another.”<sup>97</sup> This modification would

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93. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992).

94. See Jay P. Kesan, *Carrots and Sticks to Create a Better Patent System*, 17 BERKELEY TECH. L.J. 763, 791 (2002) (stating that “[o]ptimal deterrence is achieved when the penalties are high and the enforcement costs are low because this produces the most compliance at the lowest cost to society”). See generally 35 U.S.C. §§ 284–285.

95. See *Read*, 970 F.2d at 827.

96. *Id.*

97. *Id.*

increase the effectiveness of the second element by indicating that a copied idea or design is intrinsically “deliberately” copied. Even if a defendant corporation attempted to provide the defense that its idea or design was independently derived, such an argument would not be covered under this second element because an independently created idea or design could be construed by courts to not constitute an act of copying.

Finally, and perhaps most importantly, the Federal Circuit could create a standard that is stricter than the current third identified *Read* factor.<sup>98</sup> This third factor delineates that courts must weigh the “[r]emedial action by the defendant” with an emphasis to be placed on whether the defendant’s actions deviated from the status quo after the patent infringement suit was filed.<sup>99</sup> In order to increase the effectiveness of this factor, the Federal Circuit should eliminate the corollary, which contemplates whether the defendant’s actions deviated from the status quo after filing of the suit.<sup>100</sup> Such a change would greatly benefit plaintiffs to willful infringement suits because it would prevent defendants who successfully demonstrate that their status quo did not change from being absolved from liability under the third element.<sup>101</sup> Accordingly, these defendants who were pocketing the same high level of profits prior to and after the willful infringement suit filing would benefit from a valid defense for no liability under the current third factor standard.<sup>102</sup> Conversely, the modified third factor would weigh against the defendant for a failure to take appropriate remedial action while maintaining a high profit level.

#### CONCLUSION

Therefore, as a result of the ineffectiveness of current U.S. patent laws in deterring and penalizing patent infringers, particularly corporations, from committing willful infringement and potentially utilizing such actions as an integral part of a business model, new changes in these laws are demanded in order to realize the goals of Congress and the Federal Circuit for preventing willful infringement. The most efficient and forceful mechanism for instituting these greatly needed modifications consists of a three-pronged proposal, which

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98. *Id.*

99. *See id.*; *Bott v. Four Star Corp.*, 807 F.2d 1567, 1573 (Fed. Cir. 1986).

100. *See Bott*, 807 F.2d at 1573–74.

101. *See id.*

102. *See Read*, 970 F.2d at 827; *Bott*, 807 F.2d at 1573.

includes: (1) adoption of a precise legal definition for willful patent infringement by the Federal Circuit; (2) action by Congress to create more stringent patent damages statutes, which apply specifically to cases of willful infringement; and (3) adoption by the Federal Circuit of a test or standard for identifying willful infringement, which is stricter and more effective than the current *Read* factors test. The benefits of this proposal include an enhanced deterrent effect against corporations from committing willful infringement when these entities believe they could profit from such actions and detrimental financial consequences for those corporations who continue to engage in willful infringement without deference to the potential repercussions. Consequently, federal adoption of such a proposal would initiate a return to the U.S. government's promotion of a sense of true innovative progress in American corporations and simultaneously spurn notions of free-riding, which have been adopted by some technology-producing corporations.

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